

# Tacoma Narrows Bridge Citizens Advisory Committee Meeting

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February 5, 2013 - 6:00 to 8:00 p.m.  
Gig Harbor Civic Center 3510  
Grandview St., Gig Harbor, WA 98335

## **TNB Citizen Advisory Committee:**

Jay Stricherz, University Place  
Alan Weaver (Chair), Gig Harbor  
Bruce Beckett, Gig Harbor  
Melody Griggs, Gig Harbor  
Ted Hilliard, Tracyton

Ron Jones, Gig Harbor  
Amy Igloi, Port Orchard  
Christopher Myers (Vice Chair), Gig Harbor  
Jim Pasin, Gig Harbor

## **AGENDA**

6:00 - 6:05	Call to order .....	Alan Weaver
6:05 - 6:10	Welcome and introductions .....	Alan Weaver
6:10 - 6:20	WSTC Funding Guidance .....	Noah Crocker
6:20 - 6:40	Responses to CAC questions (Q &A) .....	Craig Stone
6:40 - 7:00	Initial Scenarios .....	Craig Stone
7:00 - 7:40	CAC discussion .....	Alan Weaver
7:40 - 7:55	Public Comment .....	Public
7:55 - 8:00	Adjourn .....	Alan Weaver

# Tacoma Narrows Bridge Citizen Advisory Committee Meeting

**Date:** Tuesday, Dec. 11, 2012

**Location:** Gig Harbor Civic Center

**Time:** 6 p.m. – 8 p.m.

## **Meeting Participants:**

### ***Citizen Advisory Committee:***

#### **Present CAC Members:**

**Alan Weaver** (Chair), Gig Harbor  
**Christopher Myers** (Vice Chair), Gig Harbor  
**Jay Stricherz**, University Place  
**Bruce Beckett**, Gig Harbor  
**Melody Griggs**, Gig Harbor  
**Ted Hilliard**, Tracyton  
**Amy Igloi**, Port Orchard  
**Jim Pasin**, Gig Harbor

***Transportation Commission Staff:***  
Noah Crocker, Senior Financial Analyst

***Department of Transportation Staff:***  
Craig Stone (Toll Division Director),  
Korbett Mosesly, Communication Specialist  
Rob Fellows, Planning and Policy Manager  
Kevin Mizuta, Business Manager

#### **Not Present:**

**Ron Jones**, Gig Harbor

## **Welcome and Introductions**

Following introductions of those in attendance, on motion, Korbett Mosesly was appointed Recording Secretary for the 2012-2013 toll-setting cycle.

The TNB Citizens Advisory Committee continued their second work session to discuss the financial plan for the TNB account and updates to the Rate Setting Guide.

## **Presentation**

Most of the session was spent going through the financial data in more detail, the updated data points and answering questions. The CAC received the final version of the Rate Setting Guide, prepared by WSDOT Tolling division that describes the process and explains the financial plan in detail. An earlier draft of the document was provided to the CAC at the first meeting. Some of the key changes in the plan and materials included:

- Updated expense and revenue charts
  - Updated traffic and revenue forecasts
  - Incorporated the Transportation Revenue Forecast Council's November 2012 revenue forecast
  - Updated the 2014-2015 budgets
  - Incorporated the effect of settlement negotiations with a toll vendor
  - Forecasted toll revenues are reduced based on revised Pay By Mail use projections
  - Reduced civil penalty and adjudication revenue and expense projections
-

- Moved facility restoration and repair to the capital expense section
- Included questions from the CAC members

Craig Stone answered specific questions about the TNB accounts contingency line item (also included in the Toll Rate Setting Guide) and the process for gathering information about the cost to collect by payment method. WSDOT is planning to conduct a study that will be available next year, but plans to provide the CAC with some rough estimates earlier.

The CAC expressed interest in running scenarios and the CAC leadership will meet to refine their request.

**Meeting Adjourned**

# Tacoma Narrows Bridge Update

**Paula J. Hammond, P.E.**  
Secretary

**Steve Reinmuth**  
Chief of Staff

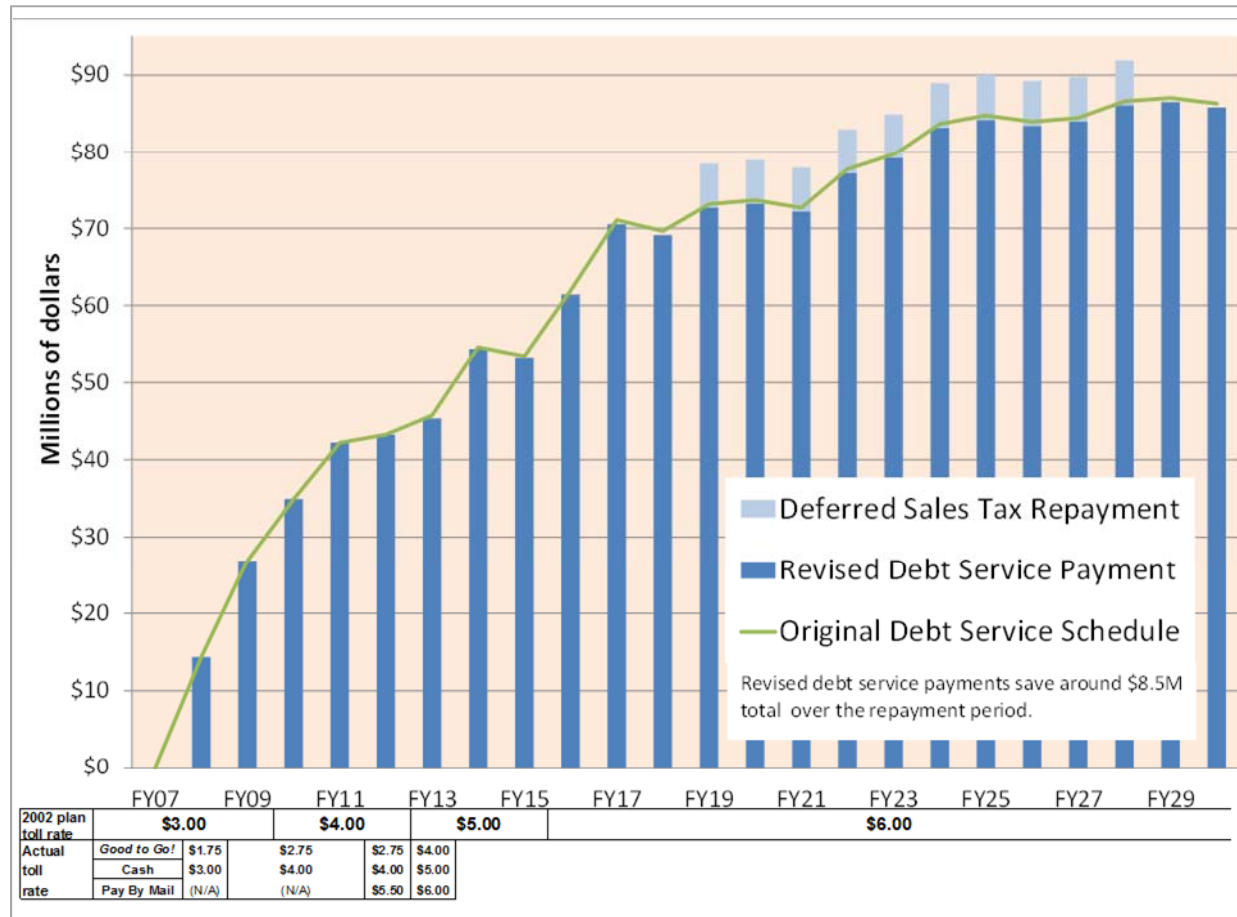
**Craig J. Stone, P.E.**  
Assistant Secretary  
Toll Division

**Citizen Advisory Committee**  
**February 5, 2013**



Washington State  
Department of Transportation

# TNB Revised Debt Service

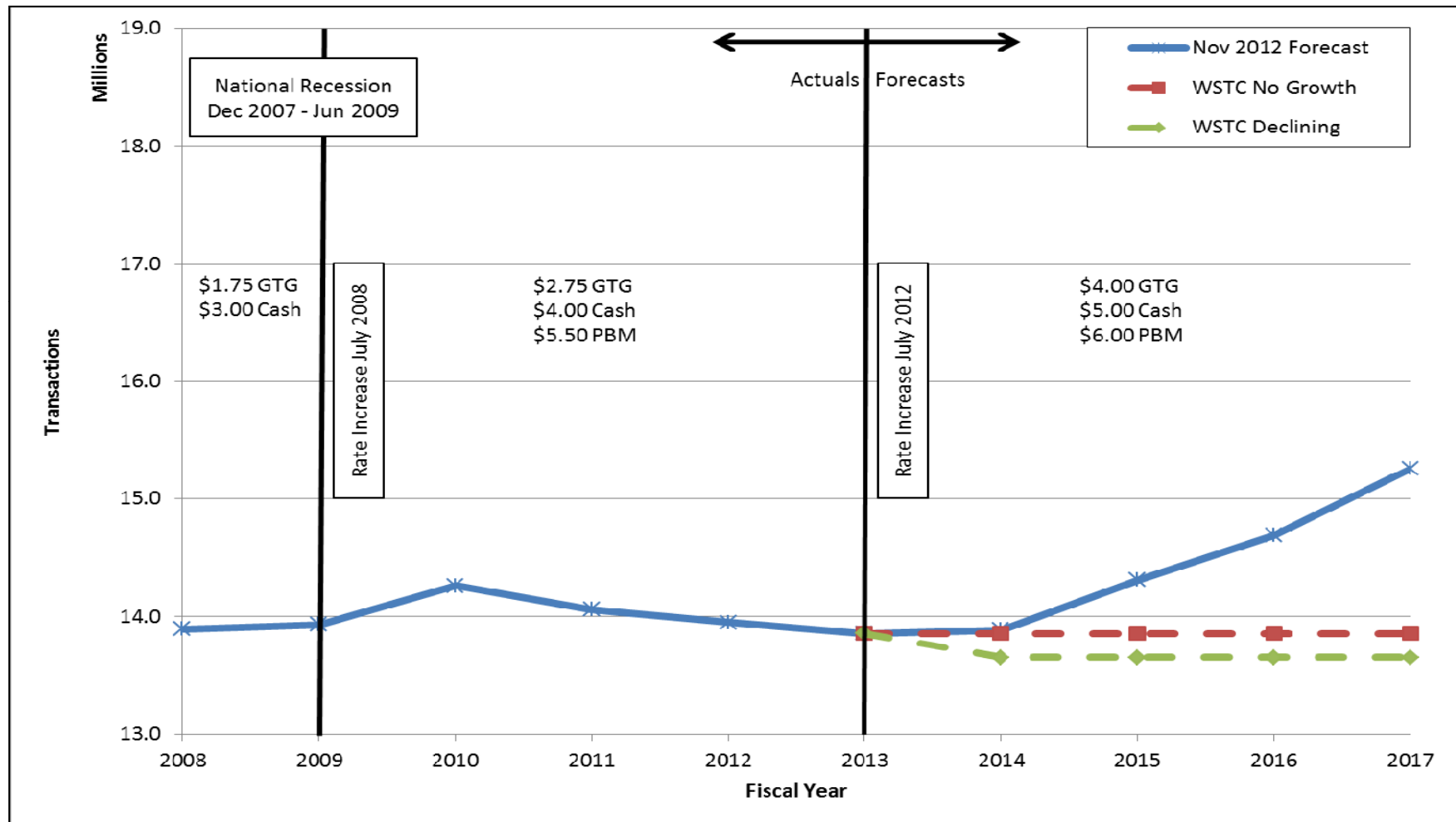


- Debt service payment schedule was set when project was originally financed
- Payments and toll rates assumed to increase over time
- Repayment for deferred sales taxes to begin in December 2019 for ten years

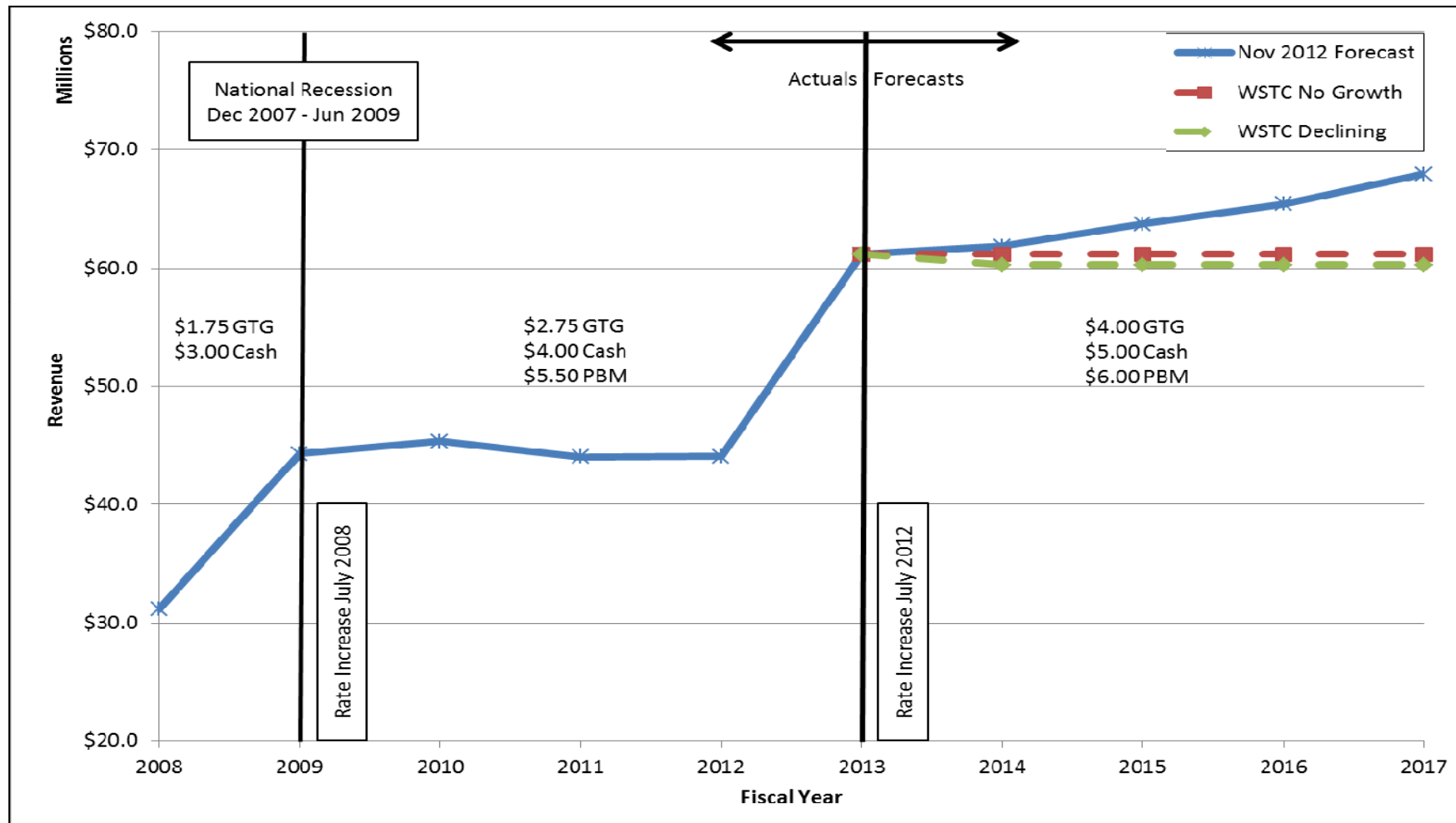
# Revenue Alternatives – Assumptions

- **Adopted Forecast (Nov 2012)**
  - Forecast provided by CDM Smith
  - Adopted by Washington State Forecast Council
  - Forecast factors include:
    - Population of the service area
    - Economic activity, employment
    - Gasoline prices
    - Alternative routes, modes, etc.
- **No Growth in Traffic Alternative**
  - Use Nov 2012 forecast for FY 2013 (mix of forecasts and actuals)
  - FY 2013 Traffic levels used for FY 2014 through FY 2017
- **Declining Traffic Alternative**
  - Nov 2012 forecast for FY 2013, reduced by 1.5%
  - FY 2013 Traffic levels (less 1.5%) used for FY 2014 through FY 2017

# Comparison of November 2012 Quarterly Forecast and Alternatives



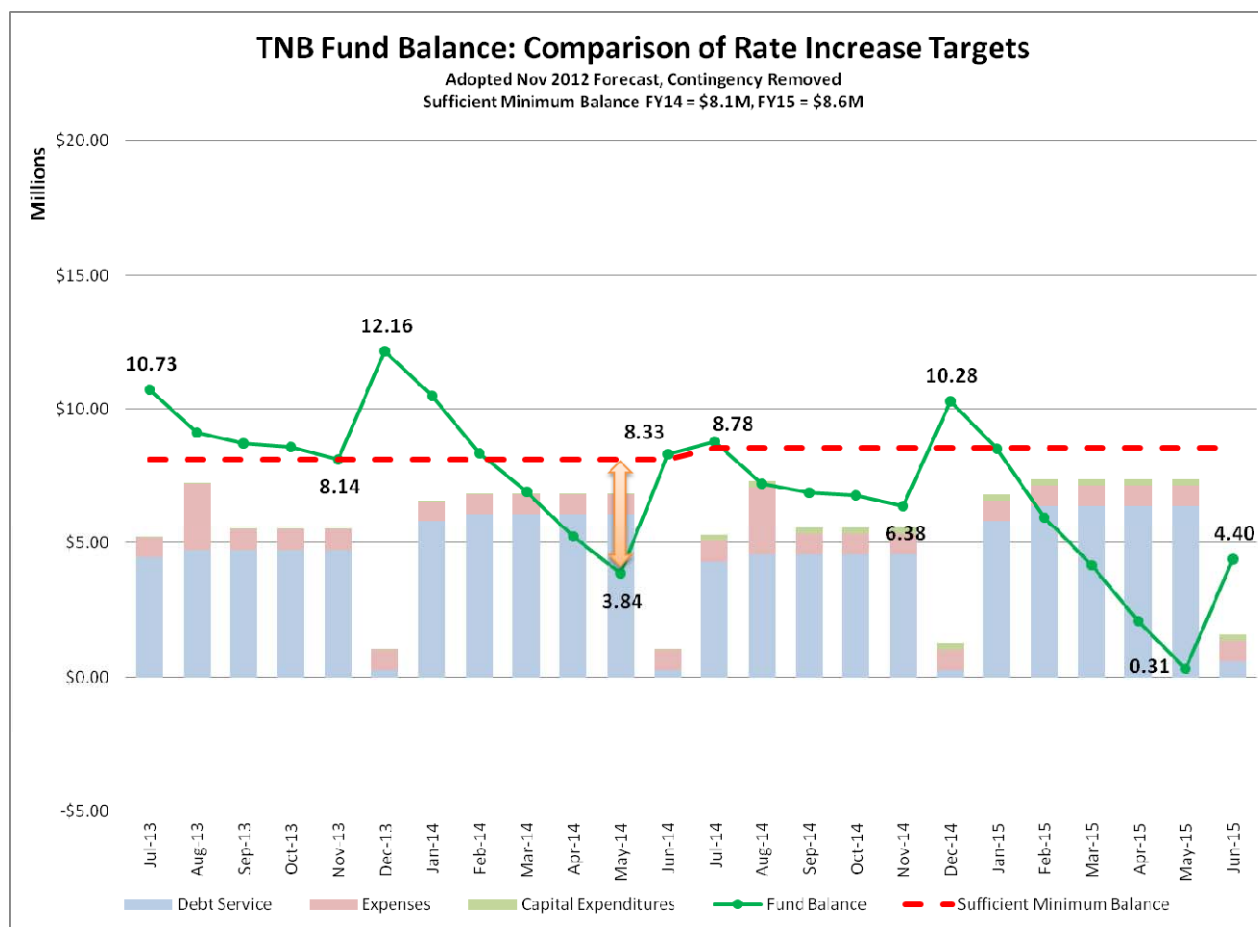
# Comparison of November 2012 Quarterly Forecast and Alternatives



# Effect of Commission Guidance

## Sufficient Minimum Balance Measurement

- WSTC clarified the SMB policy for 45 days working capital to be achieved year round.
- SMB covers potential contingency needs.



# CAC Questions and Answers

- If the “contingency” expenses were removed from the financial plan, would a toll rate increase be needed?
- Why are “administrative costs” \$1.1M higher in 2014 than they were in 2007?
- Why not limit toll increases to what’s needed to cover increased expenses?
- Has WSDOT hidden the increase in the portion of toll collection costs allocated to TNB as a result of SR 520 traffic being less than forecast? Where is that adjustment shown?
- How much does it cost to conduct the rate-setting process for TNB?
- What toll rates would be required to cover a two year period instead of one year?
- What is the basis for the following cost increases?
  - Administrative costs – up \$100K
  - Adm. Costs Adjudication – up \$21K
  - Insurance – up \$150K

# Shared Transaction-Cost Allocation

Transaction Split (all 3)

	TNB	167	520
Jan-12	40.2%	1.9%	57.9%
Feb-12	40.2%	1.9%	57.9%
Mar-12	40.2%	1.9%	57.9%
Apr-12	39.2%	2.7%	58.1%
May-12	40.6%	2.7%	56.7%
Jun-12	39.5%	2.7%	57.8%
Jul-12	40.5%	2.8%	56.7%
Aug-12	43.5%	2.9%	53.6%
Sep-12	40.3%	2.8%	56.9%
Oct-12	40.7%	2.8%	56.5%
Nov-12	34.3%	2.6%	63.1%
Dec-12	38.5%	2.9%	58.6%
Jan-13	39.3%	2.7%	58.0%

Common Office Expenses  
WSDOT Salaries

Transaction Split (no booths)

	TNB	167	520
Jan-12	32.5%	2.2%	65.3%
Feb-12	32.5%	2.2%	65.3%
Mar-12	32.5%	2.2%	65.3%
Apr-12	33.3%	2.9%	63.8%
May-12	34.2%	3.0%	62.8%
Jun-12	33.3%	3.0%	63.7%
Jul-12	34.0%	3.1%	62.9%
Aug-12	35.7%	3.3%	61.0%
Sep-12	33.2%	3.1%	63.7%
Oct-12	33.8%	3.2%	63.0%
Nov-12	29.4%	2.7%	67.9%
Dec-12	32.6%	3.2%	64.2%
Jan-13	33.0%	3.0%	64.0%

ETCC  
CSC Consultant Support  
Postage (other than transponder & PBM)

NOCP Split

	TNB	167	520
Jan-12	26.0%	0.0%	74.0%
Feb-12	26.0%	0.0%	74.0%
Mar-12	26.0%	0.0%	74.0%
Apr-12	26.0%	0.0%	74.0%
May-12	84.4%	0.0%	15.6%
Jun-12	18.6%	0.0%	81.4%
Jul-12	18.9%	0.0%	81.1%
Aug-12	19.9%	0.0%	80.1%
Sep-12	17.9%	0.0%	82.1%
Oct-12	21.7%	0.0%	78.3%
Nov-12	22.2%	0.0%	77.8%
Dec-12	26.0%	0.0%	74.0%
Jan-13	22.3%	0.0%	77.7%

Adjudication Costs  
CSC Security (PPS)

Revenue Split (all 3)

	TNB	167	520
Jan-12	39.7%	0.5%	59.8%
Feb-12	39.7%	0.5%	59.8%
Mar-12	39.7%	0.5%	59.8%
Apr-12	44.4%	1.3%	54.3%
May-12	44.0%	1.0%	55.0%
Jun-12	44.0%	1.0%	55.0%
Jul-12	44.0%	1.0%	55.0%
Aug-12	55.0%	1.0%	44.0%
Sep-12	52.0%	1.0%	47.0%
Oct-12	52.0%	1.0%	47.0%
Nov-12	47.0%	1.0%	52.0%
Dec-12	47.0%	1.0%	52.0%
Jan-13	50.0%	1.0%	49.0%

Bank Fees

Revenue Split (no booths)

	TNB	167	520
Jan-12			
Feb-12			
Mar-12			
Apr-12	35.7%	1.5%	62.8%
May-12	36.0%	1.0%	63.0%
Jun-12	35.0%	1.0%	64.0%
Jul-12	35.0%	1.0%	64.0%
Aug-12	46.0%	1.0%	53.0%
Sep-12	43.0%	1.0%	56.0%
Oct-12	43.0%	1.0%	56.0%
Nov-12	40.0%	1.0%	59.0%
Dec-12	40.0%	1.0%	59.0%
Jan-13	42.0%	1.0%	57.0%

Merchant Discount Fees

PBM Split (no 167)

	TNB	167	520
Jan-12	17.0%	0.0%	83.0%
Feb-12	17.0%	0.0%	83.0%
Mar-12	12.0%	0.0%	88.0%
Apr-12	11.2%	0.0%	88.8%
May-12	12.4%	0.0%	87.6%
Jun-12	13.7%	0.0%	86.3%
Jul-12	15.2%	0.0%	84.8%
Aug-12	15.6%	0.0%	84.4%
Sep-12	17.1%	0.0%	82.9%
Oct-12	16.0%	0.0%	84.0%
Nov-12	15.9%	0.0%	84.1%
Dec-12	15.5%	0.0%	84.5%
Jan-13	15.7%	0.0%	84.3%

PBM Postage  
DOL  
Out of State (License Lookup)

Photo Toll Split (no 167)

	TNB	167	520
Jan-12			
Feb-12			
Mar-12			
Apr-12			
May-12	16.3%	0.0%	83.7%
Jun-12	16.6%	0.0%	83.4%
Jul-12	17.8%	0.0%	82.2%
Aug-12	19.7%	0.0%	80.3%
Sep-12	17.9%	0.0%	82.1%
Oct-12	18.1%	0.0%	81.9%
Nov-12	16.3%	0.0%	83.7%
Dec-12	17.3%	0.0%	82.7%
Jan-13	17.4%	0.0%	82.6%

Photo Toll Promotions

Transponder Split

	TNB	167	520
Jan-12			
Feb-12			
Mar-12			
Apr-12	38.0%	3.7%	58.3%
May-12	38.7%	3.7%	57.6%
Jun-12	37.7%	3.8%	58.5%
Jul-12	38.7%	4.0%	57.3%
Aug-12	39.2%	4.0%	56.8%
Sep-12	38.1%	4.1%	57.8%
Oct-12	38.4%	4.1%	57.5%
Nov-12	36.7%	4.3%	59.0%
Dec-12	37.6%	4.2%	58.2%
Jan-13	37.7%	4.0%	58.3%

Transponder Revenue  
Transponder COGS

# Initial SR 520 toll traffic results

## November 2012

**DRAFT  
RESULTS**

NOVEMBER 2012 TOLL TRAFFIC	Actual <sup>1,7</sup>	Forecast <sup>2,3</sup>	% Variance
Average Weekday <sup>4,8</sup>	65,365	61,784	<b>+5.8%</b>
Average Weekend <sup>5</sup>	36,696	31,434	<b>+16.7%</b>
Average Daily <sup>6</sup>	58,198	54,197	<b>+7.4%</b>

- Average weekday daily traffic exceeded forecast by **5.8%**
- Average weekend daily traffic exceeded forecast by more than **16%**
- Overall, average daily traffic was **7.4%** above forecast
- Approximately **81%** of average daily trips were prepaid (*Good To Go!*) transactions
  - Average weekday *Good To Go!* share was approximately **82%**
  - Average weekend daily *Good To Go!* share was approximately **75%**

<sup>1</sup> Toll traffic counts are generated by in-lane toll collection equipment. Actual counts exclude transit buses and other toll-exempt vehicles.

<sup>2</sup> CDM Smith forecast dated August 2012 after applying a monthly seasonal adjustment factor. Forecasts exclude transit buses and other toll-exempt vehicles.

<sup>3</sup> Ramp-up adjustments are no longer included in the FY 2013 forecasts.

<sup>4</sup> Average weekday traffic is subject to construction activity but there were no weekday construction closures during the tolling hours from 5 AM to 11 PM.

<sup>5</sup> Calculation of average weekend daily traffic excludes planned weekend construction closures days.

<sup>6</sup> Average daily traffic calculated as a blend of all weekdays and weekends days, except as noted in (4) and (5) above.

<sup>7</sup> WSDOT is in the process of reviewing CSC vendor reconciliation reports, which will become the primary source of this data. Until completion of this review, reported traffic and revenue will be based on preliminary, un-reconciled database queries.

<sup>8</sup> Average weekend daily traffic calculations are inclusive of holidays during which weekend toll rates are charged (e.g., Thanksgiving Day).

# Initial SR 520 Toll Revenue Results\*

## November 2012

**DRAFT  
RESULTS**

NOVEMBER 2012 TOLL REVENUE	Actual	Forecast <sup>1</sup>	% Variance
Adjusted Gross Revenue after Allowance for Doubtful Accounts <sup>2,3</sup>	\$4,879,344	\$4,533,162	<b>+7.6%</b>

- Adjusted gross revenue after an allowance for doubtful accounts was **7.6%** above forecast.
- Average daily traffic for November was 7.4% above forecast.
- Values based on preliminary, un-reconciled database query.<sup>4</sup>

\* Revenue data current as of December 21, 2012.

<sup>1</sup> CDM Smith forecast inclusive of a monthly seasonal adjustment and a monthly average value for planned weekend construction closures; net of allowances for unreadable license plates / inability to identify vehicle owner; and inclusive of \$0.25 Pay By Plate fee revenues and \$0.50 customer initiated payment credits.

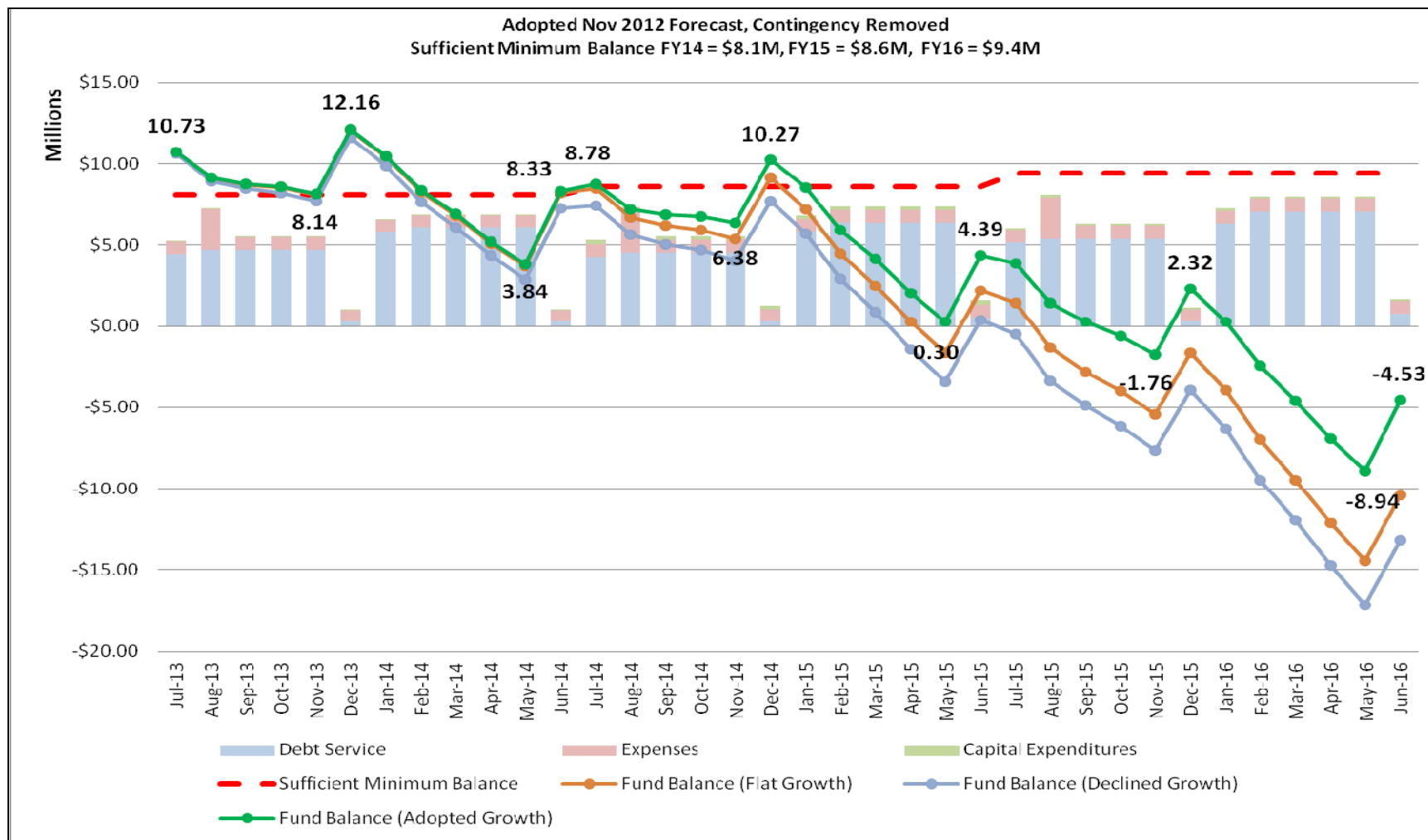
<sup>2</sup> The allowance for doubtful accounts uses an accounting estimate of 10% of the amount of Pay By Mail toll bills issued will be uncollectible. This amount results in a direct reduction to toll revenue for the facility.

<sup>3</sup> Actual gross revenues do not currently include tolls and fees recovered through the adjudication/civil penalty process; inclusion of these revenues via a transfer from the SR 520 Civil Penalty Account may result in an upward revision to actual gross revenues.

<sup>4</sup> WSDOT is in the process of reviewing CSC vendor reconciliation reports, which will become the primary source of this data. Pending completion of this review, reported revenues are based on preliminary, un-reconciled database queries.

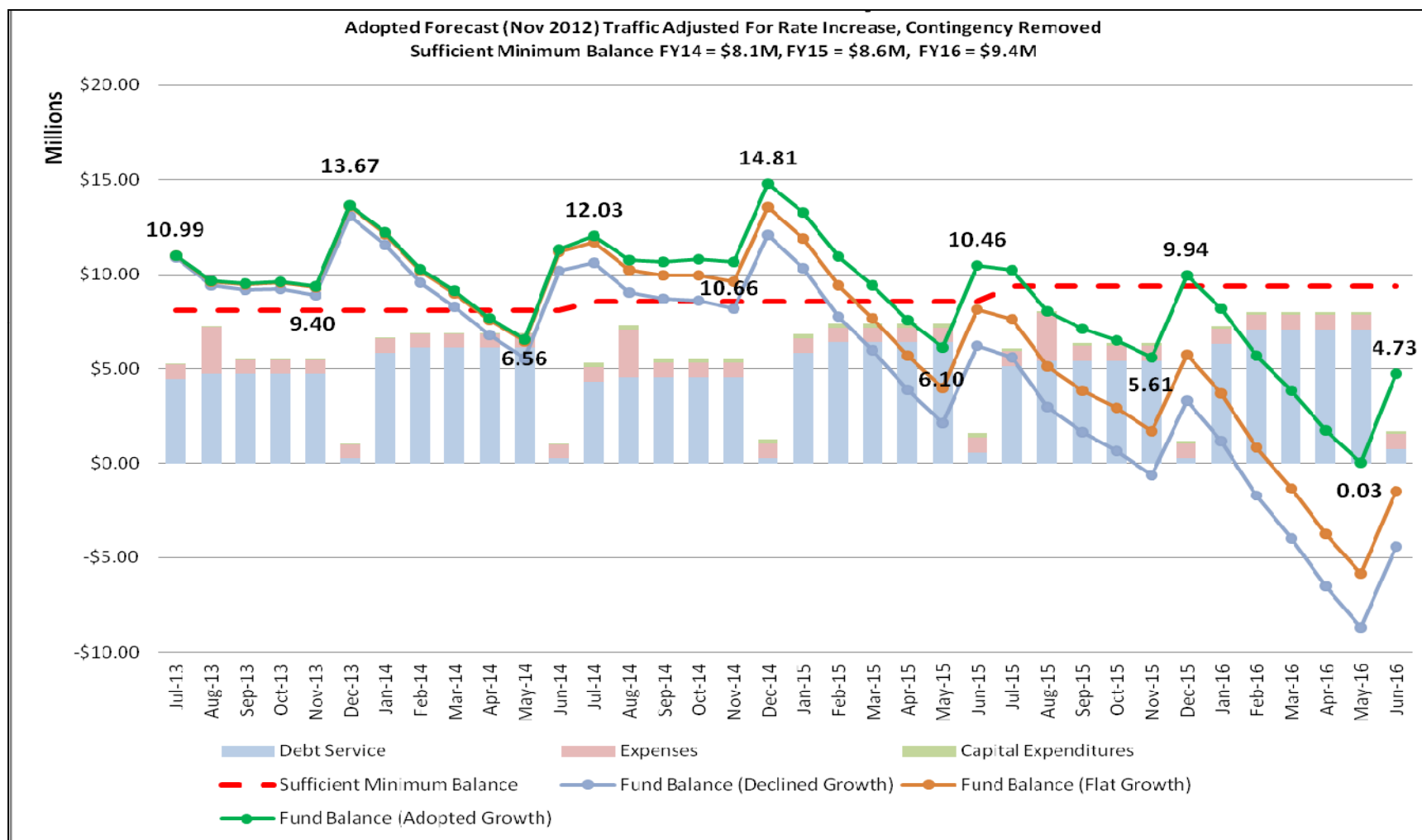
# TNB Monthly Fund Balance

## Baseline: Current Toll Rates



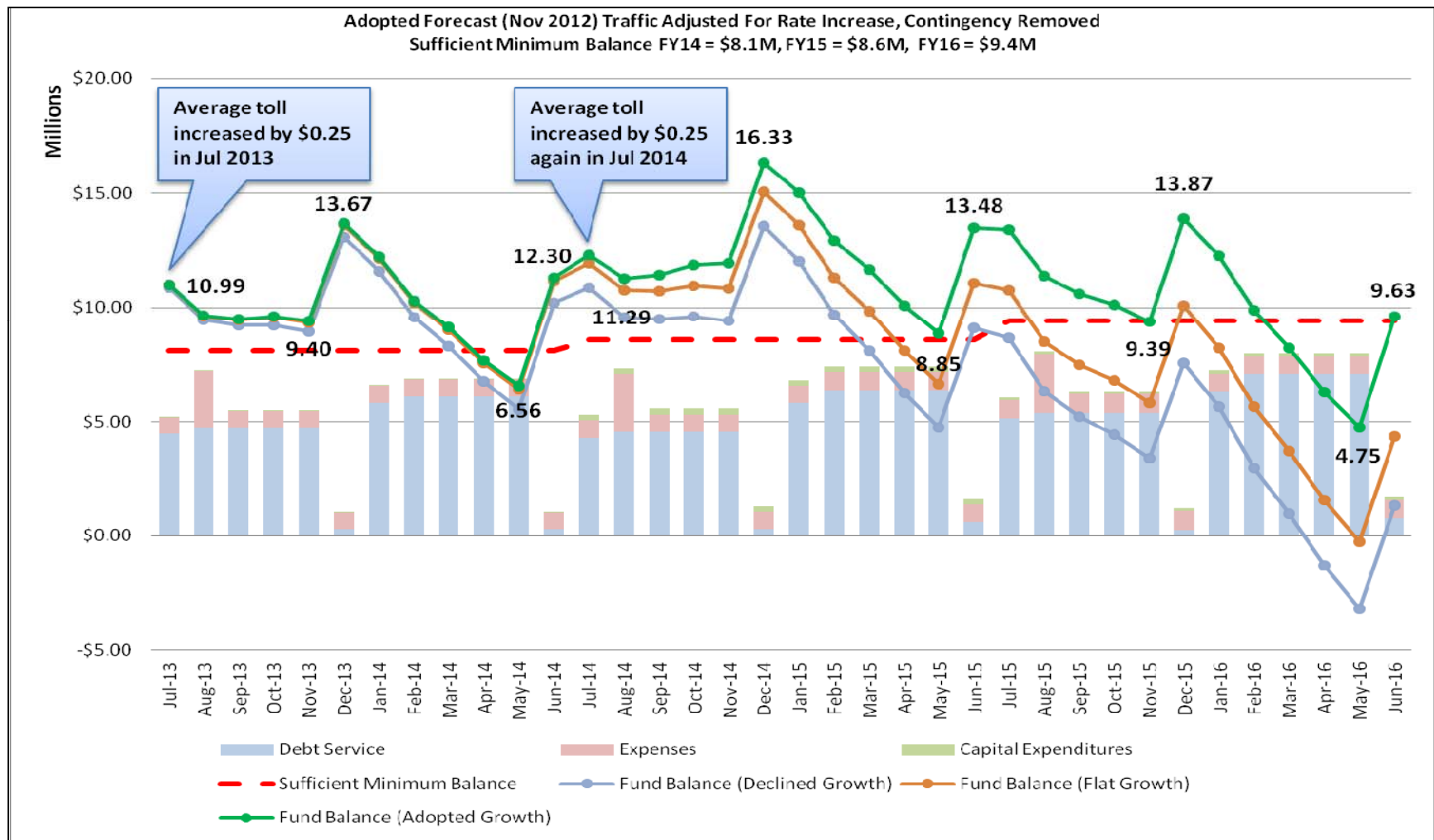
# TNB Monthly Fund Balance

## \$0.25 Toll Rate Increase in July 2013



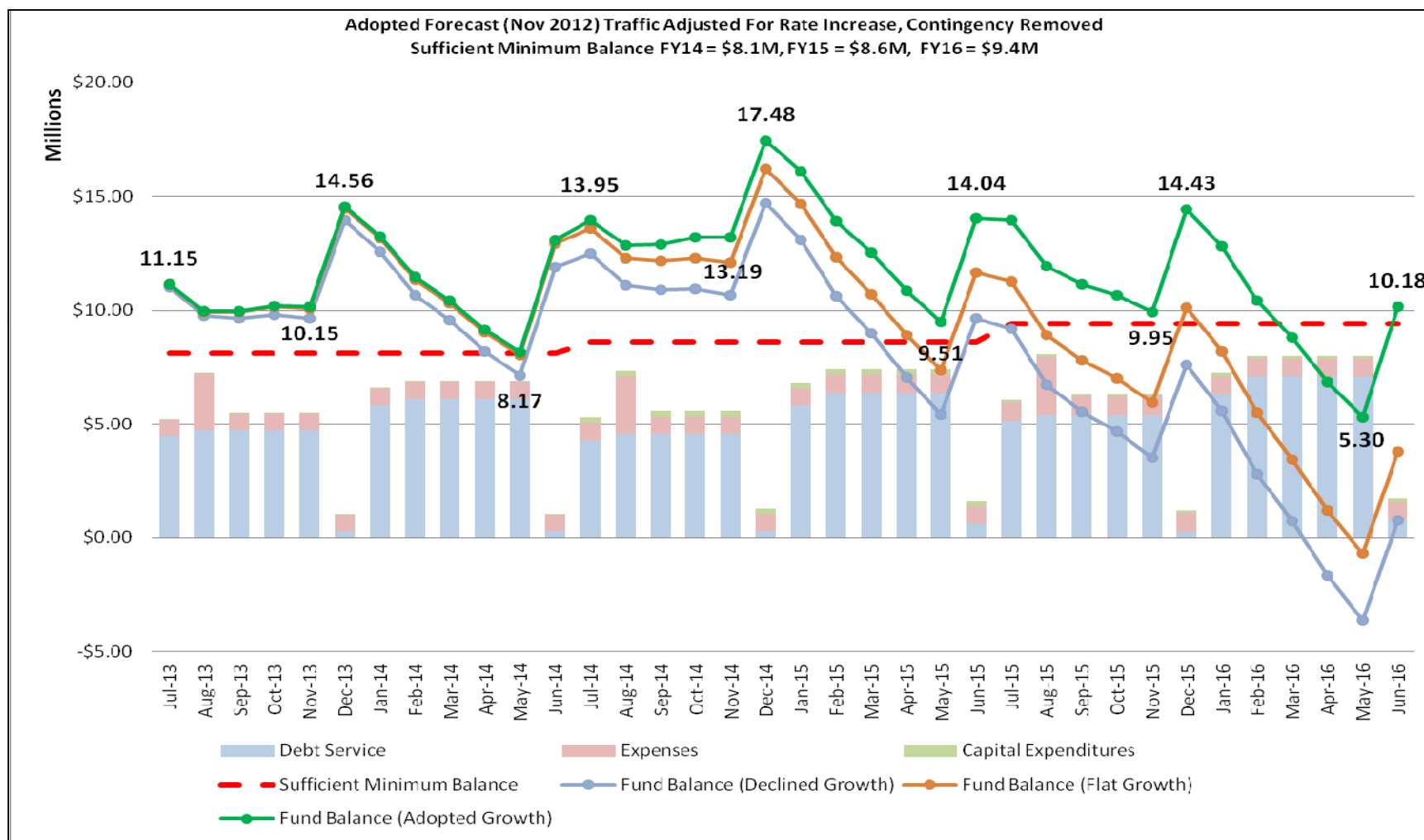
# TNB Monthly Fund Balance

## \$0.25 Toll Rate Increase July 2013 & July 2014



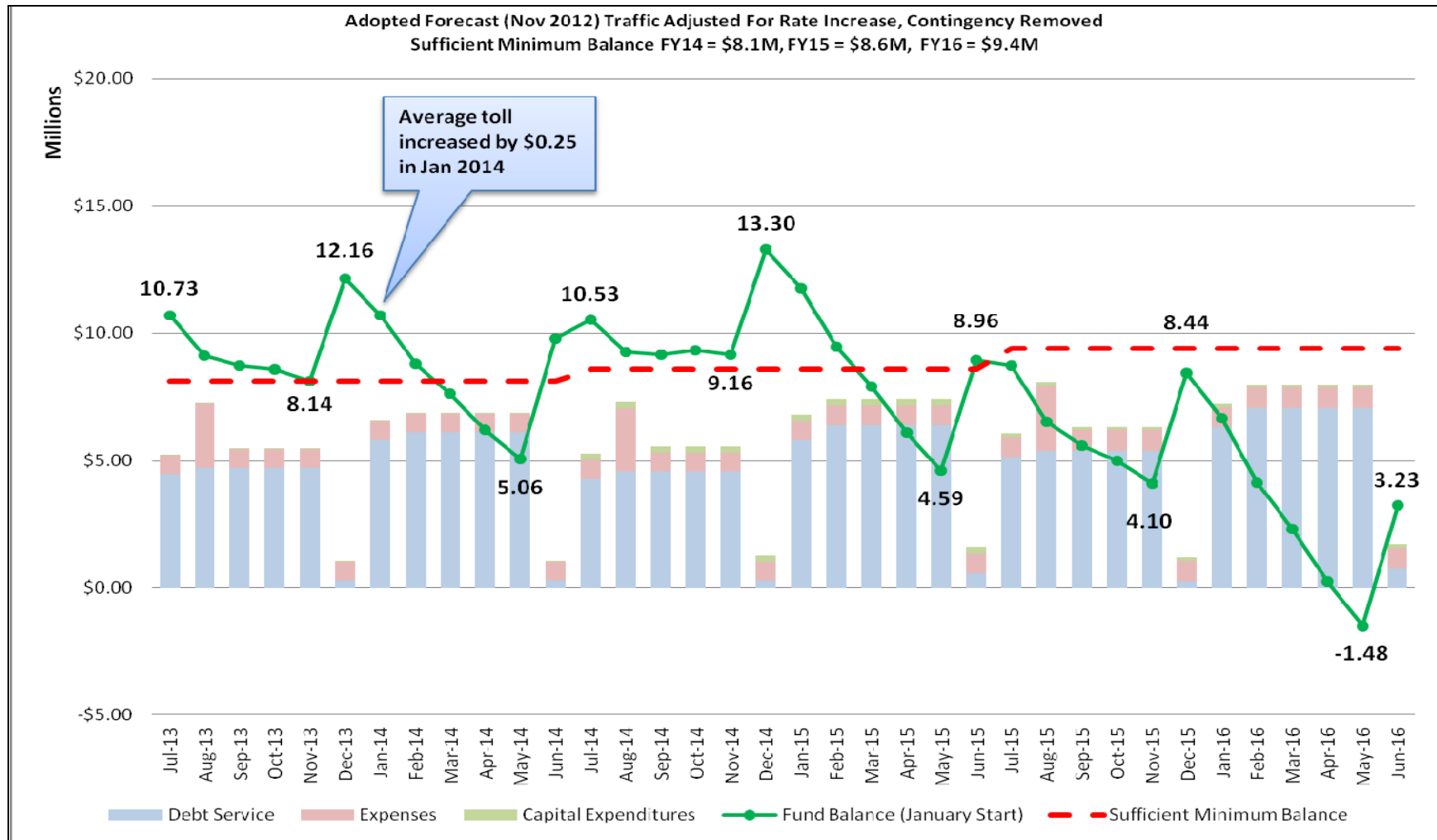
# TNB Monthly Fund Balance

## \$0.40 Toll Rate Increase July



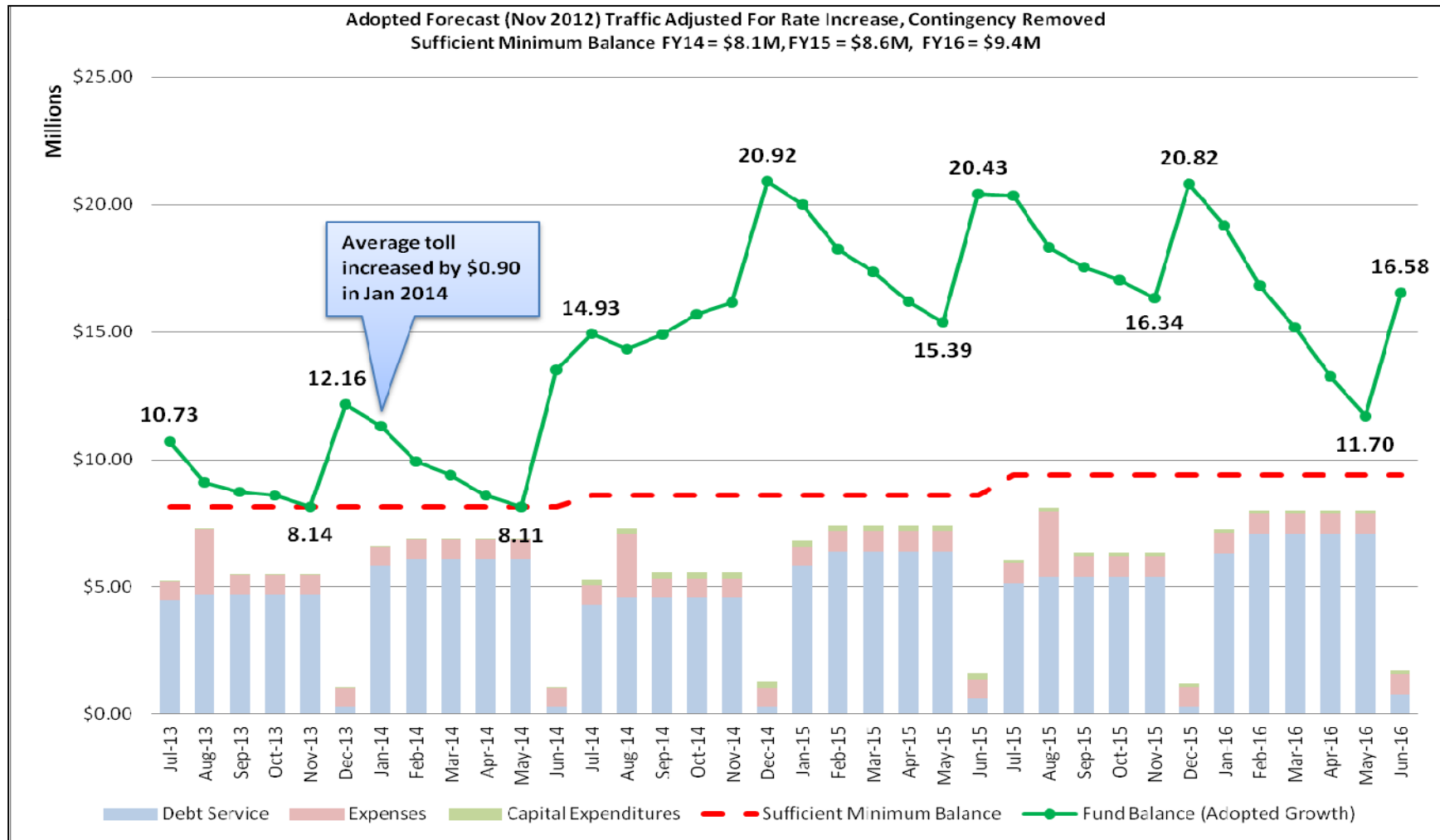
# TNB Monthly Fund Balance

## \$0.25 Toll Rate Increase delayed January 2014



# TNB Monthly Fund Balance

## \$0.90 Toll Rate Increase delayed January 2014



# TNB Rate Setting Milestones

- **November :** Rate setting kickoff meeting  
CAC Financial Plan Workshop
- **December:** Financial plan/funding needs  
CAC Q&A Session
- **January:** Commission filed CR 101 to begin rule-making

## Upcoming:

- **February:** CAC discussion: funding targets and scenarios
- **March:** CAC rate recommendation to Commission  
WSTC proposed rates  
Commission files CR 102 – proposed rates
- **April:** Public input meeting
- **May:** Public Hearing  
Adopt toll rates  
Commission files CR 103 – rate-setting decision

# Questions?

Craig J. Stone, P.E.  
Assistant Secretary, Toll Division  
206-464-1222 or [StoneC@wsdot.wa.gov](mailto:StoneC@wsdot.wa.gov)

# Tacoma Narrows Bridge Guidance and Fund Balance

Washington State Transportation Commission

# WSTC Guiding Principles

The WSTC will focus on the following:

1. **Developing a toll rate proposal in compliance with the sufficient minimum balance (SMB) policy of maintaining a 12.5% fund balance (equivalent to having 45 days of working capital) year round.** During FY 2013 (July 1, 2012 – June 30, 2013), the actual fund balance will fluctuate between being within and outside the fund balance policy during the fiscal year, as a year of transition to become policy compliant. During FY 2014 (July 1, 2013 – June 30, 2014), the fund balance should be fully compliant with the SMB policy year round.
2. Maintaining the relationship between the levels of payments—ETC, cash, Pay by Mail—at \$1.00, respectively.
3. Considering setting the toll rates in a biennial context—FY 2014 and FY 2015—while retaining the option to revise the toll rates during the second year if necessary.
4. Consider utilizing a strategy that targets achieving a net revenue balance of \$0. Meaning, targeting toll rates that generate revenues that match total expenses and meet the SMB policy requirements as described in #1 above.
5. Considering whether to delay the effective date of a toll rate increase until November or January or when the fund balance begins to drop below policy threshold due to the bond debt repayment schedule.

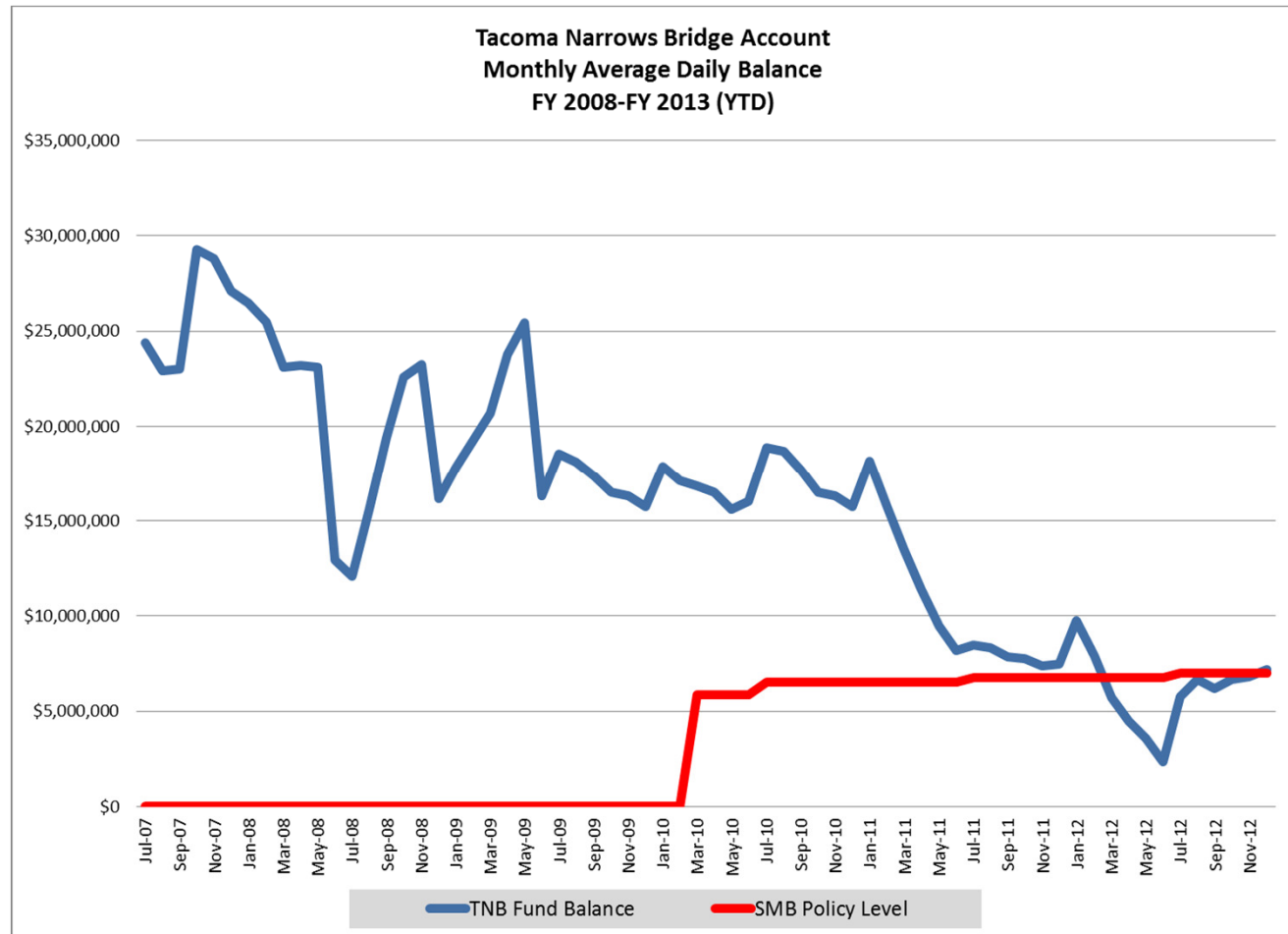
Three traffic and revenue risk scenarios should be considered:

1. **The baseline CDM Smith scenario.** This scenario is provided by CDM Smith and is their official forecast of traffic volume and gross revenue for the facility. Their model focuses on using inputs such as economic variables, demographics, population, land use growth, etc. in forecasting traffic and revenue outcomes. While this information is useful it should not be used as the sole decision in a rate recommendation.
2. **No traffic volume growth scenario.** This scenario is defined as the first quarter of actual traffic volume and three quarters of forecasted traffic volumes for FY 2013. This data is currently provided from the November 2012 forecast for FY2013. This traffic value will be used to evaluate tolls for FY 2014 and FY 2015.
3. **Slight decline in traffic growth scenario.** This scenario applies a 1.5% decline to the traffic volume data described in #2 above for FY 2014. In evaluating fiscal year 2015 under this scenario the calculated 2014 value will be used.

**The Commission reserves the right to review and use updated traffic and revenue information as it becomes available.**

# Tacoma Narrows Bridge Fund Balance

- From July 2007 thru February 2012 Tacoma Narrows Bridge account has at all times maintained fund balance above 12.5% or above 45 days of working capital.
- In March of 2012 the account dropped below the Policy level for the first time.
- During FY 2013 the fund balance has gradually increased to the Policy level.



Note: The Sufficient Minimum Balance Policy became effective March 17, 2010

## Responses to CAC Questions Received Since the December 2012 CAC Meeting

### Note

The answers to some of the questions below are affected by recent guidance from the Transportation Commission at its January 2013 meeting, and changes WSDOT has made to its TNB Financial Plan as a result of that guidance.

Commission guidance specified that:

- While the Commission policy that a sufficient minimum balance of 12.5% above expenses be maintained is unchanged, they've clarified that it should be applied on a continuous basis to be consistent with the original policy intent to provide a 45 day operating reserve at all times. In effect, the sufficient minimum balance test is applied to the lowest monthly balance within a fiscal year. The Commission requested that alternative revenue scenarios be prepared and presented along with forecasted ones – one that maintains forecast traffic for July 2013 at a constant level for future years ("flat traffic") and another that maintains a constant level 1.5% below the flat traffic scenario ("declining traffic").
- Commissioners expressed a strong interest in setting rates for a two-year period.

Because of the clarification regarding sufficient minimum balance which provides a reserve sufficient to cover contingencies, WSDOT has removed the "contingency" expenses in its TNB financial plan from the SMB calculation. In effect, WSDOT assumes that contingent expenses, if needed, could be covered within the SMB as long as WSDOT has budget authority in case of an emergency.

### CAC questions

#### **If the "contingency" expenses were removed from the financial plan, would a toll rate increase be needed?**

At the December 2012 CAC meeting, the TNB financial plan showed that the amount needed to meet the Commission's sufficient minimum balance policy was less than the amount WSDOT showed as "contingency" expenses, so if contingencies were removed a rate increase would not be required.

Since that meeting, the Commission has offered new guidance on how the SMB policy should be applied in practice. Based on Commission guidance, a toll rate increase of approximately 49 cents would be needed for each payment type if the contingency is included, which is reduced to about 40 cents if contingency is removed. WSDOT has proposed to remove those items from the SMB calculation because the new calculation method provides an adequate buffer to cover contingencies if they arise.

#### **Why are "administrative costs" \$1.1M higher in 2014 than they were in 2007?**

If this question is asking why expenses are projected to be higher in 2014 than actual expenses were in 2007, the answer is that 2007 was the year prior to tolling starting and expenses were charged in

preparation for tolling. Tolling began in July 2007 which is part of Fiscal Year 2008. Information shown on the financial plan is provided in fiscal years. If this question is the same as questions answered in past years during previous rate-setting processes – that is, why are 2014 projected expenses higher than they were projected to be in the 2007 financial plan, then the answer is the same. The 2009 legislature proposed that all funds reduce planned expenses beyond the 2007-2009 biennium by 4%. Because most expenses from the TNB fund are fixed (such as insurance and debt service) or contractual (such as toll vendor costs), the entire reduction had to be taken from WSDOT administrative expenses, essentially cutting these expenses in half for future year budget plans. In the following budget cycle the legislature realized that a 50% cost reduction was not realistic, and subsequent budget numbers were updated to reflect expected actual costs.

### **Why not limit toll increases to what's needed to cover increased expenses?**

The change in expenses is only one of several factors that affect the fund balance. Others include change in revenues, change in the calculation of minimum sufficient balance (based on expenses), and the baseline change in balance from year to year.

### **Has WSDOT hidden the increase in the portion of toll collection costs allocated to TNB as a result of SR 520 traffic being less than forecast? Where is that adjustment shown?**

As was discussed on page 22 of the Rate Setting Guide, FY 2012 budget estimates were based on the daily number of transactions in the SR 520 environmental impact statement that turned out to be higher than those projected in the subsequent investment grade traffic and revenue study. Actual SR 520 transactions have been higher than those projected in the traffic and revenue study, but lower than projected in the environmental impact statement. In FY 2012, through March 2012, TNB was held harmless when a lower number of SR 520 transactions occurred than had been budgeted – in other words, TNB paid for the share of toll collection costs it would have if the budgeted level of transactions for SR 520 had been achieved.

Starting in April 2012 and beyond, TNB's allocation of total toll collection costs is based on the actual distribution of transactions between facilities, so the portion of total collection costs borne by TNB rate-payers is higher than for 2012. The change in allocation between FY 2012 and 2013 is reflected in the costs shown in the financial plan, and explained in the Rate Setting Guide.

### **How much does it cost to conduct the rate-setting process for TNB?**

We estimate the cost of a rate-setting process to the TNB account at approximately \$129,000. This cost includes consultant staff and CDM Smith forecasting activities to prepare the Rate-setting Guide, CAC presentation materials and traffic and revenue scenarios. WSDOT and Transportation Commission staff time generally is not charged to the TNB budget, so is not included in this estimate.

## **What toll rates would be required to cover a two year period instead of one year?**

The 40 cent across-the-board increase needed to achieve the sufficient minimum balance for FY 2014 will also suffice for FY 2015.

## **What is the basis for the following cost increases?**

- **Administrative costs – up \$100K**
- **Adm. Costs Adjudication – up \$21K**
- **Insurance – up \$150K**

### **Administrative costs – up \$100K**

On page 24-25 in the Rate Setting Guide, administrative costs are discussed:

Comparing FY 12 to FY 14, there are projected increases in WSDOT Oversight & Admin costs shown in two areas – salaries and benefits and consulting services. Bank fees would be expected to increase due to the higher toll rates, resulting in increased revenue.

- **Salaries and benefits:**

The increase in WSDOT Oversight staff salaries and benefits when comparing FY 12 actuals to FY 14 budgets can be accounted for in three factors:

- In FY 12, the late start of photo tolling on TNB resulted in lower than expected allocation of staff salary costs.
- In 2014 the allocation percentage used for the TNB share of FY 14 budgeted staff salary costs is 40.6% compared to the 34% assumed for the FY 12 costs. The 40.6% allocation rate is reflective of TNB's relative share of transactions. The 34% rate was an estimate assuming a higher predicted transaction level for SR-520 Bridge than actual.
- Many WSDOT staff positions were not filled during FY 12. For budgeting purposes, some of these open positions are assumed to be filled in 2014. In addition, the 3% across the board salary reductions by the legislature for the '11-'13 biennium are assumed for budgeting purpose to be rescinded.

- **Consultant services:**

There is an increased need in the current biennium and continuing in FY 14 for consultant services in three areas:

- Additional traffic and revenue forecasting (more in line with actual 2013 costs)
- Additional administrative and managerial support for CSC toll operations
- Update of the cost of service benchmark study

**Administrative Costs of Adjudication – up \$21K**

The adjudication program started in April, 2012 with the first hearing held in May. The adjudication expense in FY 12 was \$401k. WSDOT reduced the FY 13 adjudication budget by \$390k because fewer hearings were requested than originally estimated. The adjudication budgets for future years were also reduced (by \$425k in FY 14). WSDOT will monitor the number of NOCPs issued and scale the size of the program accordingly.

**Insurance – up \$150K**

On page 27 in the Rate Setting Guide, the increased cost of insurance is discussed:

We have forecasted the cost of insurance for the Tacoma Narrows Bridge to increase from \$1.5M in FY 13 to \$1.75M in FY 14 due to recent cost experience and feedback from providers. There are several large construction projects in the Puget Sound area planned or underway, and insurers perceive that insuring multiple large projects in the same geographic area increases risk for the insurer.